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United States General Accounting Office

GAO

Report to the Clerk of the House of Representatives

March 1988

FINANCIAL AUDIT

House Office Equipment Service Schedules for Fiscal Year 1987



135395

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**Comptroller General
of the United States**

B-114865

March 28, 1988

**The Honorable Donnal K. Anderson
Clerk of the House of Representatives**

Dear Mr. Anderson:

As requested in your letter of May 4, 1987, we have examined the schedule of purchased equipment accounts and the schedule of revenues and costs prepared from records maintained by the House Office Equipment Service and the House Finance Office for the fiscal year ended June 30, 1987. Our examination was made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We completed our audit work on November 13, 1987.

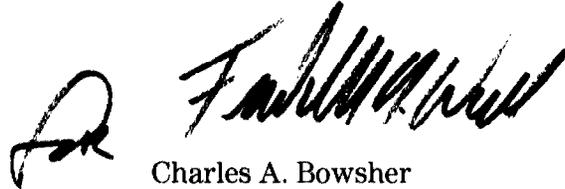
As described in note 2 to the schedules, the House Finance Office maintains House Office Equipment Service records on a cash basis. Consequently, revenues and costs are recognized when received and paid, respectively, rather than when revenues are earned or when costs are incurred. For this reason, the accompanying schedules are not intended to present results of operations in conformity with generally accepted accounting principles.

On October 1, 1986, the House Office Equipment Service assumed responsibility for administering the Members' district office furnishings and equipment inventory accounts from the General Services Administration. The accompanying schedules do not include information relating to these accounts because efforts are continuing to determine what items are in the district offices and their undepreciated value. Also, essential record keeping systems are being developed by the House Office Equipment Service. As in previous fiscal years, the schedules include information pertaining mainly to the equipment used in the Members' Washington, D.C., offices.

In our opinion, the schedules referred to above present fairly the purchased equipment accounts and revenues and costs of the House Office Equipment Service for the year ended June 30, 1987, on the cash basis of accounting described in note 2 to the schedules, applied in a manner consistent with that of the preceding fiscal year.

Our report on internal accounting controls and compliance with laws and regulations, together with the Service's schedules and accompanying notes for the year ended June 30, 1987, are included in this report.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Charles A. Bowsher". The signature is written in a cursive style with a large initial "C".

Charles A. Bowsher
Comptroller General
of the United States

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Abbreviation

GSA General Services Administration

Report on Internal Accounting Controls and Compliance With Laws and Regulations

We have examined the schedule of purchased equipment accounts and the schedule of revenues and costs of the House Office Equipment Service for the fiscal year ended June 30, 1987. Our examination was made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances. This report pertains only to our study and evaluation of the system of internal accounting controls and our review of compliance with laws and regulations for the fiscal year ended June 30, 1987.

As part of our examination, we made a study and evaluation of the system of internal accounting controls for the Service to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Service's schedules.

For the purpose of this report, we have classified the significant internal accounting controls into the following categories: accountability for equipment, depreciation, assessments to authorized users' accounts, income, and disbursements.

The Service's management is responsible for establishing and maintaining a system of internal accounting controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of schedules in compliance with the accounting policies described in note 2 to the schedules.

Because of inherent limitations in any system of internal accounting controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of internal accounting controls was made for the purpose described in the second paragraph. It was more limited than would be necessary to express an opinion on the system of the internal accounting controls taken as a whole or on any categories of controls specifically identified, and it would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting controls of the Service taken as a whole or on any of the categories of controls we identified. However, our study and evaluation disclosed no condition that we believed to be a material weakness that would affect our expressing an opinion on the Service's schedules.

As part of our examination, we also tested the Service's compliance with applicable laws and regulations. In our opinion, the House Office Equipment Service complied with the terms and provisions of laws and regulations for the transactions tested that could have materially affected its schedules. Nothing came to our attention, in connection with our examination, that caused us to believe that the Service was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.

Schedule of Purchased Equipment Accounts— Fiscal Year Ended June 30, 1987

Inventory Items (note 3)	Inventory July 1, 1986		Acquisitions		Disposals		June 30, 1987	
	Units	Cost	Units	Cost	Units	Cost	Units	Cost
Word processors	4,446	\$14,513,350	1,625	\$4,196,037	220	\$869,923	5,851	\$17,839,464
Computers	4,500	7,777,324	1,828	2,836,999	109	234,639	6,219	10,379,684
Photocopiers	734	5,319,420	252	1,517,154	122	786,556	864	6,050,018
Miscellaneous	1,675	3,062,126	140	317,082	84	26,907	1,731	3,352,301
Typewriters	4,852	3,347,768	1	203	253	167,818	4,600	3,180,153
Automatic typewriters	976	2,112,331	90	159,289	99	311,065	967	1,960,555
Television broadcasting equipment	331	1,457,834	0	0	7	15,950	324	1,441,884
Facsimile transceivers	267	588,655	114	220,067	43	76,982	338	731,740
Dictating machines	1,432	532,556	142	49,992	159	64,507	1,415	518,041
Television sets	1,108	288,008	178	42,305	26	7,243	1,260	323,070
Duplicators	230	299,207	7	20,881	39	37,267	198	282,821
Telephone accessories	426	258,820	18	11,108	6	3,794	438	266,134
Software	535	419,969	4	400	373	220,964	166	199,405
Adding machines and calculators	777	143,344	57	8,257	38	6,724	796	144,877
Video recording equipment	160	69,541	101	34,738	1	484	260	103,795
Microfiche readers/printers	67	71,755	0	0	1	253	66	71,502
Acoustical hoods	173	52,098	26	11,581	19	5,537	180	58,142
Signature machines	43	57,096	0	0	10	13,450	33	43,646
Addressing machines	9	9,678	0	0	2	3,482	7	6,196
Total	22,741	\$40,380,880	4,583	\$9,426,093	1,611	\$2,853,545	25,713	\$46,953,428

The accompanying notes are an integral part of this schedule.

Schedule of Revenues and Costs

Fiscal year ended
June 30, 1987

Revenues (note 4)

Equipment usage fees	\$18,265,287
Miscellaneous	185,114
Total revenues	18,450,401

Costs

Operating Costs

Equipment leasing (note 6)	5,311,923
Vendor services (note 7)	5,377,434
Equipment repair parts	126,684
Depreciation	6,978,800
Book value of disposed equipment (note 8)	587,719
Operating salaries and benefits (note 9)	563,210

Total operating costs **18,945,770**

Administrative Costs

Administrative salaries and benefits (note 9)	549,645
Data processing services	866,247
Equipment usage	89,998
Telephone services	29,842
Office supplies	12,303
Property supplies	16,414
Miscellaneous	14,653

Total administrative costs **1,579,102**

Total costs (note 5) **20,524,872**

Excess of Costs over Revenues **\$2,074,471**

The accompanying notes are an integral part of this schedule.

Notes to Schedules

Note 1. Description of the Service's Operations

The House of Representatives Office Equipment Service operates under the jurisdiction of the Clerk of the House of Representatives in accordance with Committee on House Administration regulations. Under 2 U.S.C. 112e and 48 U.S.C. 1715 and 1735, Members (including the resident commissioner from Puerto Rico and delegates from the District of Columbia, Guam, the Virgin Islands, and American Samoa), officers, or committees of the House of Representatives may be furnished with office equipment by the Clerk, subject to legislative limits and regulations prescribed by the Committee on House Administration. Other qualified individuals and organizations may also be provided office equipment either directly by the Clerk or through their sponsoring Members. The Committee on House Administration approves the list of equipment, services, and usage fees compiled by the Clerk. The House edition of the Congressional Handbook describes the Service's activities which, in general, include purchasing, leasing, and servicing House office equipment.

Note 2. Significant Accounting Policies

The Service's activities are financed through various appropriations available to the House of Representatives, and its operating costs are reported under those appropriations in the quarterly reports of the Clerk. The Service does not operate as a revolving fund or prepare financial statements. The House Finance Office prepares the necessary financial transactions for the Service and maintains its accounting records on a cash basis.

Effective October 1, 1986, the Committee on House Administration transferred the responsibility for administering each Member's \$35,000 district office furnishings and equipment inventory account from the General Services Administration (GSA) to the Clerk of the House of Representatives. GSA continues to issue purchase orders for furniture, furnishings, carpeting, and draperies subject to the approval of the Clerk. The Clerk now purchases office equipment for the district offices. The \$35,000 represents a ceiling for furnishing and equipping the Members' district offices. The Service charges acquisition costs against the Members' accounts. To restore account balances to the \$35,000 ceiling, the Members must use the items for specified lengths of time. The Service does not charge the accounts if the Members continue to use the items after these time periods. The Members remain accountable for the items, however, until they return them to the Service or dispose of them in a prescribed manner. The Committee on House Administration and GSA continue to negotiate the amount of the undepreciated balance for the

district office items purchased by GSA but transferred to the Clerk of the House.

The schedule of purchased equipment accounts is prepared by recording acquisitions at full cost without considering discounts taken or trade-ins offered. Disposals are shown at acquisition cost. Opening and closing inventories reflect the full cost of the equipment rather than book value. For fiscal year 1987, the full cost of acquired equipment was \$9,426,093, as shown in the schedule of purchased equipment accounts. However, trade-in allowances, purchase discounts, and vendor credits totaling \$126,769 resulted in a net equipment cost of \$9,299,324.

The schedule of revenues and costs is compiled from various sources on a modified cash basis. In this regard, revenues are recognized when received rather than when earned, and costs are recognized when paid rather than when incurred. Depreciation and the book value of disposed equipment are also included as costs and are based on the acquisition costs as described in the preceding paragraph.

Equipment is depreciated using a straight-line method with no salvage value. Noncomputer items are depreciated over a 5-year life and computer items are depreciated over a 3-year life.

Note 3. Equipment Inventory

The schedule of purchased equipment accounts represents the number of units and the full cost of equipment in the Service's inventory on June 30, 1987.

The Committee on House Administration regulations allow the Clerk to dispose of equipment which satisfies certain length of service, condition, and obsolescence criteria. They also prescribe specific procedures for reporting damaged and missing equipment. During fiscal year 1987, the Clerk disposed of 667 items as trade-ins, returns, software deletions, sales to vendors, etc. The Clerk also transferred 520 items to GSA, classified 64 items as missing, and sold 360 items through surplus equipment sales.

Acquisitions and disposals include intercategory transfers of two units of equipment with acquisition costs totaling \$2,742. Therefore, net acquisitions and disposals are \$9,423,351 and \$2,850,803, respectively.

Specific types of equipment listed on the schedule require further definition. Automatic typewriters have enhancements that regular typewriters do not have such as memory capacity or line screen display. Miscellaneous equipment includes automatic letter openers and sealers, automatic letter folders and inserters, automatic telephone dialers, pagers, time recorders, and other items.

Note 4. Revenues

The Service does not directly realize revenues from its operations. The Finance Office assesses Members' and committees' appropriations for monthly equipment usage. Legislative service organizations, vendors, and others make checks payable to the U.S. Treasury for equipment usage fees or equipment-related transactions. The Finance Office credits these checks to the Contingent Expenses of the House (Allowance and Expenses) Appropriation for equipment purposes.

Miscellaneous revenues primarily include proceeds from the sale of surplus equipment items by the Service and equipment transferred to and sold by GSA. Public Law 99-591, passed on October 30, 1986, allows the House of Representatives to retain these funds for its own use. These proceeds are also credited to the Contingent Expenses of the House (Allowance and Expenses) Appropriation for equipment purposes.

Note 5. Costs Not Included

Total costs do not include certain expenses paid from appropriated funds of the Clerk or the Architect of the Capitol. Cost for space, building repairs, utilities, office furniture, and forms obtained from the Government Printing Office cannot be readily ascertained.

Note 6. Equipment Leasing

Members, committees, officers, and qualified individuals and organizations have the option of leasing equipment items listed in the authorized users' guide. During fiscal year 1987, the Service leased and placed in use as many as 2,057 equipment items.

Note 7. Vendor Services

Vendor services are payments (usually service contract payments) made for servicing and repairing equipment. Parts used by the in-house repair shop are charged to the equipment repair parts account.

Note 8. Book Value of Disposed Equipment

The book value of disposed equipment represents the full cost of the equipment less the total depreciation taken on it up to the time of disposal.

Note 9. Salaries and Benefits

Operating salaries and benefits cover 19 persons who work in the repair shop and services division. Administrative salaries and benefits cover 22 persons who manage the Service's total operations, maintain equipment records, and process vouchers for payment by the Finance Office.

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